INITIAL STATEMENT OF REASONS

Chapter 1: Golden State ScholarShare Trust Program

SECTION 30950(b) Scholarshare Trust Definitions.

SPECIFIC PURPOSE OF THE REGULATION.

The purpose of the proposed regulation is to clarify the term "cash" and define what constitutes an acceptable method of payment of investment funds.

NECESSITY.

The passage of the Federal Patriot Act of October 26, 2001, in response to the September 11th attack, requires fund entities to establish anti-money laundering policies and cease the practice of accepting money orders and cashier's checks as a method of investing. Money orders and cashier's checks are being removed as an option of payment of investment funds.

SECTION 30953(a) and (b) Application of Cancellation Penalty and Limitation on Contributions.

SPECIFIC PURPOSE OF THE REGULATION.

The purpose of the proposed regulation is to remove the one percent payment penalty requirement imposed by the Board in subsection (a) upon the cancellation of a participation agreement between an account owner and the ScholarShare Trust and to redefine the term "maximum contribution limit" referenced in Section 30953(c) as well as in Section 30958(a) and (d).

NECESSITY.

The passage of Assembly Bill 3045 on September 9, 2002 eliminated the payment penalty provision to conform Section 69983(g) of the Education Code to recent changes in Section 529 of the Internal Revenue Code. The term "maximum contribution limit" is being changed to "maximum account balance limit" to more appropriately define the term as it relates to other program documents.

SECTION 30954(d) Distributions.

SPECIFIC PURPOSE OF THE REGULATION.

The proposed regulation is being modified to remove the reference to the penalty requirement in Section 30953(a). The provision was eliminated by the passage of AB 3045 and the Board can no longer collect a fee for the cancellation of a participation agreement between an account owner and the ScholarShare Trust.

NECESSITY.

It is necessary to remove reference to a provision that is no longer required by the Board.

SECTION 30959(d) Qualified Scholarship Accounts.

SPECIFIC PURPOSE OF THE REGULATION.

The proposed regulation is modified to reflect the deletion of the requirement to impose a one percent payment penalty upon the cancellation of a participation agreement between an account owner and the ScholarShare Trust in 30953(a).

NECESSITY

It is necessary to remove reference to a provision that is no longer required by the Board.

TECHNICAL, THEORETICAL, AND/OR EMPIRICAL STUDY, REPORTS, OR DOCUMENTS

No technical, theoretical, or empirical studies or reports were relied upon for the proposed regulations.

REASONABLE ALTERNATIVES TO THE REGULATIONS AND THE AGENCY'S REASONS FOR REJECTING THOSE ALTERNATIVES

The Board will consider alternatives presented during the public comment period leading up to the certificate of compliance.

REASONABLE ALTERNATIVES TO THE PROPOSED REGULATORY ACTION THAT WOULD LESSEN ANY ADVERSE IMPACT ON SMALL BUSINESS.

Small businesses, as defined in Section 11342 of the Administrative Procedure Act, are not impacted by these proposed regulations.

EVIDENCE SUPPORTING FINDING OF NO SIGNIFICANT ADVERSE IMPACT ON BUSINESS.

None.